## progressive policy institute

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Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554
WT Docket No. 12-4
Dear Ms. Dortch:

The Progressive Policy Institute (PPI) would like to comment on one aspect of the proposed Commercial Agreements between Verizon Wireless, SpectrumCo, and Cox Wireless. In particular, we would like to address the issues raised by the proposed innovation technology joint venture, which according to the parties is intended to develop technologies to better integrate wireline and wireless products and services.

PPI believes that, as a matter of public policy, such R&D joint ventures and collaborations should be encouraged, with the goal of accelerating innovation and boosting U.S. growth and job creation. Such a positive view of R&D joint ventures has actually been part of the law since the passage of the National Cooperative Research and Production Act of 1993, which was "designed to promote innovation, facilitate trade, and strengthen the competitiveness of the United States in world markets."

What was true in 1993 is even more true today. The single most vibrant part of today's economy is the communications sector, comprised of faster broadband links to the home, pervasive wireless networks, high-powered smartphones, and an astonishing number of useful applications and content. This so-called "App Economy" has been able to generate almost a half million jobs, while the rest of the economy has stagnated.<sup>2</sup>

<sup>&</sup>lt;sup>1</sup> http://www.justice.gov/atr/public/guidelines/ncrpa.html, downloaded February 20, 2012.

<sup>&</sup>lt;sup>2</sup> Michael Mandel, "Where the Jobs Are: The App Economy," TechNet, February 2012.

Yet keeping the App Economy growing will require an increasing amount of innovation across domains, not just within them. It's not enough for wireless providers to simply focus on providing more bandwidth—they have to innovate cooperatively with handset manufacturers, operating system developers such as Google, content providers and apps developers. Indeed, the amazing success of Apple shows the power of such innovative integration.

The proposed innovative technology joint venture would extend the benefits of innovative collaboration to the interface between the wireless and wired networks. Right now people can manually switch from a cellular connection to a Wi-Fi connection within the home. That's clunky and highly inefficient. In theory there are much more sophisticated ways of handling the hand-off that could reduce the load on the wireless spectrum—but that requires wireless and wired providers to invest in joint development of new technologies. The result could be devices that seamlessly integrate with the mobile networks, Wi-Fi networks at home and at work, and any new technologies that may be coming down the pike.

Finally, one broader point: Economists have long wrestled with the question of whether competition or collaboration is the best market environment for spurring innovation. The arguments in favor of competition are easy to make. Companies that are rivals have an inducement to innovate faster to get a competitive edge.

But forcing firms to do their R&D separately may actually result in less spending on R&D and less innovation, since individual firms can't capture the market-wide spillover benefits that accrue from successful innovations. What's more, even the largest may not be large enough, acting individually, to undertake the necessary expensive investment to develop a new technology.<sup>3</sup>

In today's economy, everyone is a potential competitor, everyone is a potential collaborator. If companies want to work together to innovate, that's a trend that should be encouraged.

/s/
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<sup>&</sup>lt;sup>3</sup> Michael Mandel, "Scale and Innovation in Today's Economy," Progressive Policy Institute, December 2011